

Commodity News

Tuesday, December 18, 2018



Gold

Technical

Gold markets have pulled back slightly during the trading session yesterday, reaching towards the 50 day EMA before turning around and showing signs of strength. At this point, the \$1255 level above is offering significant resistance, and if it can break above there can go much higher. This week will be crucial for gold, as the Federal Reserve has an interest rate hike coming on Wednesday, but more importantly a statement afterwards. That statement will give us an idea as to whether or not the Federal Reserve is going to continue to raise interest rates next year, or at least on the same path that people had thought. Otherwise, if the Federal Reserve seems a bit soft, then perhaps Gold markets could take off to the upside. If it can break above the \$1255 level, then it will continue to go higher. Beyond that, the 50 EMA is starting to turn higher, so that is leaning in that direction.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 1,244 | | |
| Support | 1,244 | 1,240 | 1,236 |
| Resistance | 1,256 | 1,253 | 1,251 |

Source: FX EMPIRE

Highlights

- Gold firmed yesterday as the dollar eased from near 18-month highs
- Some investors are also positioning themselves so that if the Fed does not raise rates, gold might spike
- The dollar was steady at 97.132 versus most of its major peers today, after losing 0.4 percent in the previous session
- Investor sentiment toward gold showed signs of optimism
- Investor focus will be on the central bank's policy outlook for 2019 and future interest rate hikes

Gold - Technical Indicators

| | |
|---------|---------|
| RSI 14 | 45.44 |
| SMA 20 | 1,267.2 |
| SMA 50 | 1,252.1 |
| SMA 100 | 1,256.3 |
| SMA 200 | 1,277.8 |

Source: FX EMPIRE



Source: Meta Trader

Fundamentals

- Gold prices were largely steady today ahead of a U.S Federal Reserve meeting that starts later in the day, with investors looking for clues on the central bank's outlook for next year.
- The FOMC is widely expected to raise interest rates at its two-day meeting starting later in the day. However, the focus will be on the outlook for 2019, with many investors expecting signs of economic turbulence to prompt the Fed to signal a slow down in the pace of tightening next year.
- With increased volatility and geopolitical risk, macro asset allocation is becoming more gold-positive again, while it believe much of the dollar's upward move is now behind us with rate hike expectations dropping.
- Spot gold was up 0.6 percent at \$1,246.10 per ounce. The metal touched its lowest since Dec. 4 at \$1,232.39 an ounce on Friday. U.S gold futures settled up 0.8 percent at \$1,251.80 per ounce.
- Days before the Fed is expected to raise interest rates for a fourth time this year, U.S President Donald Trump and his top trade adviser ratcheted up their criticism of the central bank's monetary tightening.
- Speculators switched to a net long position in gold of 10,252 contracts, adding 11,791 contracts in the week to Dec. 11, data showed on Friday. This was the first time gold speculators have held a net long position since July.
- One of the drivers that is pushing gold higher right now is due to lower equities along with the dollar being sold-off a bit. Weak stock markets and slowing global growth have raised speculation that the Fed will need to pause its tightening cycle or risk harming the U.S economy.

US Commodity Futures Trading Commission (CFTC) Data

| Date | Large Speculators | | | Commercial | | | Small Speculators | | | Open Interest |
|------------|-------------------|-------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
| | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | |
| 12/27/2016 | 337251 | 72353 | 82% | 120854 | 284003 | 30% | 49448 | 31277 | 61% | 384,974 |
| 01/03/2017 | 340748 | 74460 | 82% | 115571 | 287002 | 29% | 51148 | 36,819 | 61% | 450555 |
| 01/10/2017 | 291266 | 84634 | 77% | 116493 | 311865 | 27% | 53520 | 32958 | 62% | 499110 |
| 01/17/2017 | 274589 | 77454 | 77% | 118610 | 304141 | 28% | 49810 | 33791 | 60% | 493086 |
| 01/24/2017 | 295688 | 67069 | 82% | 127081 | 327075 | 28% | 51562 | 30399 | 63% | 510579 |

Source: CFTC

Crude Oil

Technical

The WTI Crude Oil market initially trying to rally a bit during the trading session yesterday but gave back the gains to roll over and reach towards the \$50 level again. A daily close below \$50 opens the door to the \$54 level next though. Brent markets also continue to struggle, initially trying to rally towards the top of the wedge that it has been trading in, but then fell over to reach towards the bottom of it. It is essentially hovering around the \$60 level, so at this point it will continue to see a lot of back and forth. However, if it break above the downtrend line, the market should go higher, perhaps reaching towards the \$64 level initially. A break above there could send this market looking towards the \$67.50 level. The alternate scenario of course is a break down, and if it get a daily close below the uptrend line, then it could drop towards the \$55 level next. Expect a lot of choppiness regardless.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 49.85 | | |
| Support | 48.60 | 48.00 | 47.30 |
| Resistance | 51.00 | 50.50 | 49.85 |

Source: FX EMPIRE

Highlights

- Oil prices fell more than 2 percent yesterday, with U.S crude tumbling below \$50 a barrel on signs of oversupply in the United States
- U.S crude oil inventories were forecast to have fallen for the third consecutive week
- With oil prices now falling, unprofitable shale producers will eventually stop operating and cut supply
- Oil output from Russia has been at a record-high of 11.42 million barrels per day so far in December
- Crude inventories fell by 1.2 million barrels in the week to Dec. 7

Crude - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 55.83 |
| SMA 20 | 48.93 |
| SMA 50 | 46.53 |
| SMA 100 | 47.26 |
| SMA 200 | 51.85 |

Source: FX EMPIRE

Crude Oil Daily Graph



Source: Meta Trader

Fundamentals

- Oil prices dropped over 1 percent today, falling for a third straight session, as reports of inventory builds and forecasts of record shale output in the United States, currently the world's biggest producer, stoked worries about oversupply.
- Concerns around future oil demand amid weakening global economic growth and doubts over the impact of planned production cuts led by the Organization of the Petroleum Exporting Countries (OPEC) were also pressuring prices.
- International benchmark Brent crude oil futures were at \$58.90 per barrel, down 71 cents, or 1.2 percent, from their last close. Brent has fallen more than 4 percent in the past three sessions so far. U.S West Texas Intermediate crude futures were down 60 cents, or 1.2 percent, at \$49.27 per barrel.
- U.S crude and Brent have shed more than 30 percent from early October amid swelling global inventories, with WTI currently trading at levels not seen since October 2017.
- A sharp selloff that pushed WTI and Brent into bear markets in November came after a buildup in speculative long positions. Those net long positions were cut further to less than 100,000 contracts in the past week.
- Meanwhile, oil production from seven major U.S shale basins is expected to climb to 8.03 million barrels per day by the end of the year for the first time, the U.S Energy Information Administration said yesterday.
- Rising U.S shale production levels along with a deceleration in global economic growth has threatened to offset OPEC+ efforts as markets weigh the potential of looser fundamentals.

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|------------|-------------------|---------|---------|------------|---------|---------|-------------------|--------|---------|---------------|
| | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | |
| 12/27/2016 | 458,206 | 105,441 | 81% | 560,983 | 925,531 | 38% | 82,700 | 70,917 | 54% | 1,598,935 |
| 01/03/2017 | 462,028 | 106,739 | 81% | 557,217 | 927,085 | 38% | 85,279 | 70,700 | 55% | 1,615,844 |
| 01/10/2017 | 454,829 | 123,816 | 79% | 571,328 | 916,651 | 38% | 87,594 | 73,282 | 54% | 1,619,796 |
| 01/17/2017 | 463,186 | 135,835 | 77% | 560,029 | 897,400 | 38% | 87,590 | 77,633 | 53% | 1,623,027 |
| 01/24/2017 | 473,506 | 133,457 | 78% | 558,910 | 898,363 | 38% | 79,121 | 79,717 | 50% | 1,613,293 |

Source: CFTC

Silver

Technical

Silver markets did very little to kick off the week yesterday, as it continues to hover above the 50 day exponential moving average. Recently, it has been consolidating between \$14 below and \$15 above, with the 50 day EMA offering a bit of support as well. Ultimately, the market is going to pay attention to the Jerome Powell after the interest rate hike on Wednesday, as the statement may make a certain amount of indication as to where it goes next. After all, there are a lot of concerns about whether the Federal Reserve is going to continue to hike next year, or if they will back down, which will also cause a significant amount of momentum in this market. However, if it breaks above the \$15 level, and gets a more dovish statement out of Jerome Powell, then it's likely that silver will continue to go higher, reaching towards the \$16 level, perhaps even higher than that.

| | | | |
|------------|-------|-------|-------|
| Pivot: | 14.57 | | |
| Support | 14.57 | 14.52 | 14.47 |
| Resistance | 15.00 | 14.90 | 14.80 |

Source: FX EMPIRE

Highlights

- Silver futures tilted lower in Asian trade off November 2 highs for the third straight session
- Silver is expected to shake off its industrial influences and shine as a monetary metal
- Silver has significant industrial demand it is still a precious metal and eventually will see a pickup in investor demand
- Safe-haven demand will be a major driving factor for silver in 2019, seeing prices push to \$18 an ounce
- March Comex silver was up \$0.123 at \$14.76 an ounce

Silver - Technical Indicators

| | |
|---------|-------|
| RSI 14 | 19.80 |
| SMA 20 | 17.27 |
| SMA 50 | 16.72 |
| SMA 100 | 16.85 |
| SMA 200 | 16.87 |

Source: FX EMPIRE

Silver Daily Graph



Source: Meta Trader

Fundamentals

- Silver futures prices are up and near their daily highs in early-afternoon U.S. trading yesterday, supported in part by a weaker U.S. dollar index, another sell off in the U.S. stock market, and rhetoric supporting a more dovish U.S. monetary policy.
- Silver markets pushed to their daily highs just before midday, at the same time well-known bond trader and fund manager Jeff Gundlach predicted the U.S. dollar would struggle in the coming new year, and that U.S. equities will enter a bear market. Silver was supposed to be the shining star of the precious metals market for 2018.
- Silver futures rose nearly one percent in American trade off December 7 lows as the dollar index fell off June 2017 highs, following earlier data from the US. Silver futures due in March rose 0.77% to \$14.75 an ounce off two-week lows, while the dollar index shed 0.39% to 97.07 off 1-1/5 year highs.
- Earlier US data showed the Empire State Manufacturing Index down sharply to 10.9 from 23.3 in November, missing estimates of 20.1, while an index tracking housing prices receded as well to 56 from 60, also missing estimates of 61.
- The Federal Open Market Committee is scheduled to meet on December 18-19, with analysts expected the fourth rate hike of the year to be below 2.25%. The Fed will also release three-year forecasts for growth, inflation, unemployment, and interest rates.
- Now investors await US data later today, with the Empire State Manufacturing Index expected down to 20.1 from 23.3 in November, while an index tracking housing prices is expected with an increase to 61 from 60.

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|------------|-------------------|--------|---------|------------|--------|---------|-------------------|--------|---------|---------------|
| | Long | Short | Bullish | Long | Short | Bullish | Long | Short | Bullish | |
| 12/05/2017 | 42,097 | 29,999 | 58% | 56,157 | 75,843 | 43% | 23,121 | 15,533 | 60% | 132,501 |
| 12/12/2017 | 42,083 | 27,402 | 61% | 54,280 | 79,052 | 41% | 24,963 | 14,872 | 63% | 132,475 |
| 12/19/2017 | 41,285 | 23,950 | 63% | 53,875 | 79,404 | 40% | 23,378 | 15,184 | 61% | 131,294 |
| 12/29/2017 | 41,287 | 24,798 | 62% | 58,869 | 83,678 | 41% | 21,523 | 13,203 | 62% | 136,158 |
| 01/02/2018 | 41,334 | 26,466 | 62% | 60,600 | 84,551 | 42% | 21,666 | 13,583 | 61% | 139,468 |

Source: CFTC

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Data Calendar

Economic Data

| Date | Time | Event | Importance | Actual | Forecast | Previous |
|-------------|-------|---|------------|---------|----------|----------|
| Tues Dec 18 | 02:00 | USD Net Long-term TIC Flows (OCT) | Medium | \$31.3b | | \$30.8b |
| Tues Dec 18 | 05:00 | NZD ANZ Activity Outlook (DEC) | Medium | 13.6 | | 7.6 |
| Tues Dec 18 | 05:30 | AUD RBA Dec. Meeting Minutes (DEC 4) | Medium | | | |
| Tues Dec 18 | 14:00 | EUR German IFO Business Climate (DEC) | Medium | | 101.7 | 102 |
| Tues Dec 18 | 14:00 | EUR German IFO Expectations (DEC) | Medium | | 98.3 | 98.7 |
| Tues Dec 18 | 14:00 | EUR German IFO Current Assessment (DEC) | Medium | | 104.9 | 105.4 |
| Tues Dec 18 | 18:30 | CAD Manufacturing Sales (MoM) (OCT) | Low | | 0.5% | 0.2% |
| Tues Dec 18 | 18:30 | USD Housing Starts (MoM) (NOV) | Medium | | 0.2% | 1.5% |
| Tues Dec 18 | 18:30 | USD Building Permits (MoM) (NOV) | Medium | | -0.4% | -0.6% |

Source: Forex Factory, DailyFX

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